

Message Text

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SPECIAL CHARGE: EXIMBANK

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FM SECSTATE WASHDC

TO AMEMBASSY NOUAKCHOTT

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: LANG-PRICHARD SUGAR REFINERY

REF: NOUAKCHOTT 1513

1. THE FOLLOWING FACTS EMERGED ON SUBJECT TRANSACTION DURING SERIES OF THREE MEETINGS IN PAST THREE WEEKS AT EXIMBANK WITH REPRESENTATIVES OF LANG, PRICHARD, BANKERS TRUST, AND GOVERNMENT OF MAURITANIA (GOM):

A. ORIGINAL LANG/PRICHARD-GOM PROTOCOL NOW INVALID AS THE RESULT OF NEW DIFFERENCES BETWEEN THE PARTIES WHICH AROSE DURING SEPTEMBER TRIP TO PRICHARD HEADQUARTERS BY GOM.

B. FURTHER ALLEGATIONS ARE MADE BY BOTH PARTIES WITH RESPECT TO ULTIMATE DISPOSITION OF \$3.6 MILLION DOWN PAYMENT.

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C. BOTH PARTIES AGREE COST OVERRUNS COULD AMOUNT TO \$5 MILLION.

GOM NOT PREPARED TO DISCUSS AT THIS TIME ANY PROVISION FOR COST OVERRUNS TAKING THE POSITION THAT LANG HAS LEGAL OBLIGATION TO PROCEED ON BASIS OF ORIGINAL COSTS. LANG, ON THE OTHER HAND, REFUSES TO COMMENCE WORK UNTIL, INTER ALIA, GOM AGREES TO NEGOTIATIONS TO COVER THESE COST OVERRUNS.

D. IN RESPONSE TO INQUIRY REGARDING WHERE GOM INTENDS TO OBTAIN NECESSARY RAW SUGAR, GOM VAGUELY RESPONDS TO THE EFFECT THEY ARE CONSIDERING EITHER PURCHASES ON THE WORLD MARKET OR ON A GOVERNMENT TO GOVERNMENT BASIS WITH CUBA.

2. IN VIEW OF FOREGOING, ALL PARTIES ADVISED BY EXIMBANK THAT LOAN AGREEMENT CANNOT NOW BE MADE OPERATIVE UNTIL:

A. DISPUTES BETWEEN LANG/PRICHARD AND GOM FINALLY SETTLED,

B. ALL OF THE FINANCING FOR THE PROJECT HAS BEEN ARRANGED,

C. MORE CURRENT AND PRECISE INFORMATION ON WHERE RAW SUGAR WILL BE OBTAINED.

3. ALL PARTIES ADVISED FURTHER THAT IT APPEARS THAT THE EXISTING TRANSACTION IS SUBSTANTIALLY DIFFERENT FROM THE TRANSACTION ORIGINALLY APPROVED BY EXIMBANK.

4. IN ADDITION TO FOREGOING, EXIMBANK WILL NEED TO STUDY:

A. IMPACT ON PROJECT OF RISING RAW SUGAR PRICES,

B. DEBT SERVICE CAPACITY OF PROJECT IN VIEW OF HIGHER CAPITAL COSTS AND RISING SUGAR PRICES, AND

C. ABILITY OF GOM TO MAINTAIN CONSUMPTION LEVELS IN VIEW OF HIGHER COSTS.

5. EXIMBANK NOTES FURTHER BEING ADVISED BY BANKERS TRUST THAT CONSIDERATION IS BEING GIVEN BY BANKERS' CONFIRMING CENTRAL BANK OF MAURITANIA'S LETTER OF CREDIT ON THE BASIS OF A CASH COLLATERAL LETTER OF CREDIT, I.E., CENTRAL BANK WOULD DEPOSIT WITH BANKERS CONVERTIBLE CURRENCIES IN AN AMOUNT SUFFICIENT TO FULLY SECURE LIMITED OFFICIAL USE

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BANKERS' CONFIRMATION OF LETTER OF CREDIT, BENEFICIARY OF WHICH WOULD BE LANG/PRICHARD.

6. EMBASSY SHOULD NOTE FURTHER THAT EXIMBANK MAY HAVE FURTHER REQUIREMENTS AND QUESTIONS OTHER THAN THOSE SPECIFIED HEREIN IF AND WHEN PROJECT RECONSIDERED. KISSINGER

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